HOUSING MARKET INFORMATION

# HOUSING MARKET OUTLOOK

## St. Catharines-Niagara CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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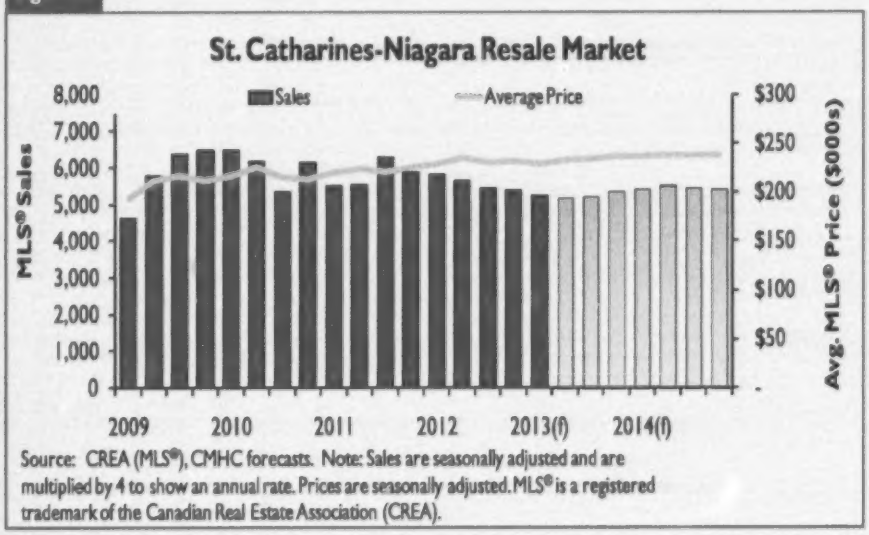
## Market at a Glance

- MLS® sales will drop in 2013 but recover robustly in 2014. The average resale price will show a slight increase in 2013 but grow more firmly in 2014.
- Housing starts, on an annual basis, will decline in 2013 but will grow moderately in 2014.
- Improving economic conditions and continued price gains will stimulate both demand and supply in 2014.
- Growth in total employment will continue to outpace labour force growth resulting in a drop in the unemployment rate in 2014.

Figure 1




Source: CREA (MLS®), CMHC forecasts. Note: Sales are seasonally adjusted and are multiplied by 4 to show an annual rate. Prices are seasonally adjusted. MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

The forecasts included in this document are based on information available as of April 26, 2013.

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# Resale Home Market

## MLS® sales set to rise in 2014

The resale market will experience a slowdown in both sales and listings during 2013 but conditions are set to turn around in 2014. Rising employment and earnings combined with continued in-migration will stimulate sales in the existing home market.

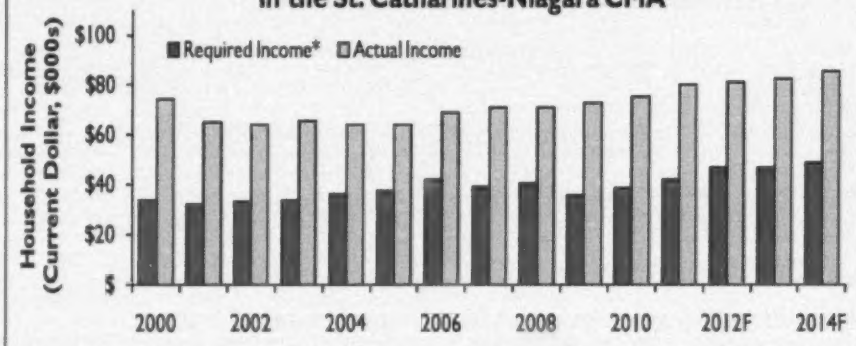
The rising cost of home-ownership slowed demand in late 2012 and this carried on into early 2013. The balance between growth in incomes and the cost of home-ownership has shifted back towards the former which will support MLS® sales growth in the second half of 2013. The growth will not be sufficient to fully offset weakness early in the year, so sales for the full year will be down from 2012. The strength towards the end of the year will be supported by rising employment and incomes into 2014, but by the end of next year, rising mortgage rates will again dampen sales growth.

The St. Catharines existing home market will remain balanced during 2013 and 2014. New listings will see a minor decline in 2013 but rebound in 2014. The increase in supply will be matched by similar changes in sales, keeping the sales to new listings ratio near 52 per cent throughout most of the forecast period.

MLS® prices are estimated to rise by a modest 0.4 per cent in 2013 and these gains will be consolidated in 2014 rising a further 1.8 per cent. In the face of these price gains and with interest rates remaining at low levels, homeowner affordability will remain unaffected largely because household income will rise enough to keep pace with price appreciation.

Figure 2

**Required vs Actual Income in the St. Catharines-Niagara CMA**




Source: CMHC, Statistics Canada, CREA. *Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio. Mortgage Carrying costs are calculated based on 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization for a mortgage loan.

# New Home Market

## Starts to decline in 2013 but rebound in 2014

Residential construction starts will drop during 2013 as developers respond to continued uncertainty in the market. However a strengthening job market and increasing house prices will support a higher level of housing starts in 2014. There will be little change in the distribution of housing starts being built between singles and other dwelling types for the rest of this year and in 2014.

Single-detached units will continue to dominate the kind of housing being built, representing about 65 per cent of total starts in both 2013 and 2014. In order to maintain a more compact development, land lot sizes are now smaller creating denser development patterns for the build out of single-detached units. Demand will come from the growing proportion of the population which is over 50 years old. Attracted by the lifestyle that the St. Catharines-Niagara area offers, people in this age group are moving to the region.

Townhouse and semi-detached starts will account for 22 per cent of new development in 2013, a slightly lower proportion than in the past few years. However, the continued demand for ground-oriented housing among both the older population and, especially, younger families that is competitively priced will ensure these dwelling types remain a significant part of the market

There will be about 300 apartments started in the next two years which means that the proportion of apartment starts will remain around 14 per cent of all started in this period. Most apartments over the past few years have been rental, but more recently, activity has focused on condominium apartments. Young people aged 20 to 30 years old who would normally be the prime source of demand for rental apartments are migrating out of the region at the rate of about 400 persons per year. Strengthening employment for this

age group will help stem the outflow of young people from the area. Older people moving in will support demand for condominium apartments.

# Local Economy

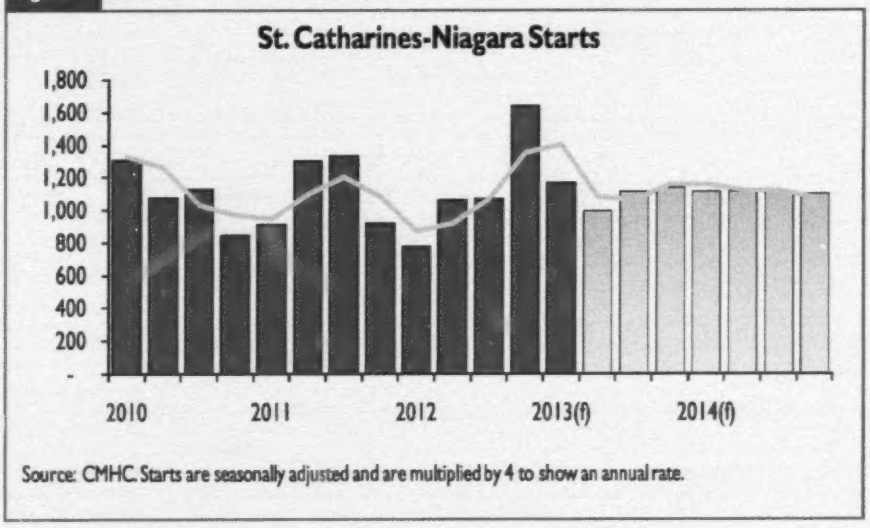
## Employment growth forecast for 2013 and 2014

Employment will grow at a moderate rate in 2013 but will accelerate slightly in 2014. However, this growth will be slower than it was in the past few years as the economy moves from recovery to expansion. Total employment in the region has been trending up over the last few years and will stay above 200,000 persons employed during the forecast period.. However, the ongoing shift towards a service-producing economy will continue, as the proportion of jobs in this sector increases.

Key factors impacting the economic shift include more tourism from the US into the Niagara region and a modest easing in the value of the strong Canadian dollar against the US currency. The long-term decline in the manufacturing sector reversed in late mid-2012 and the sector is currently supporting growth in regional employment. Tourism-related jobs rose by 14 per cent in 2012, increasing their share in total jobs to 11 per cent.

A continuing trend in employment in St Catharines-Niagara is rising job growth among persons in the 25-44 age group including growth in full-time positions. But, as good as employment growth has been for this age group, it has been exceeded by the employment growth for those aged 45-years and over. As well, starting in 2010, job growth has outpaced labour force growth making it more probable for those looking for a job to find one.

Figure 4

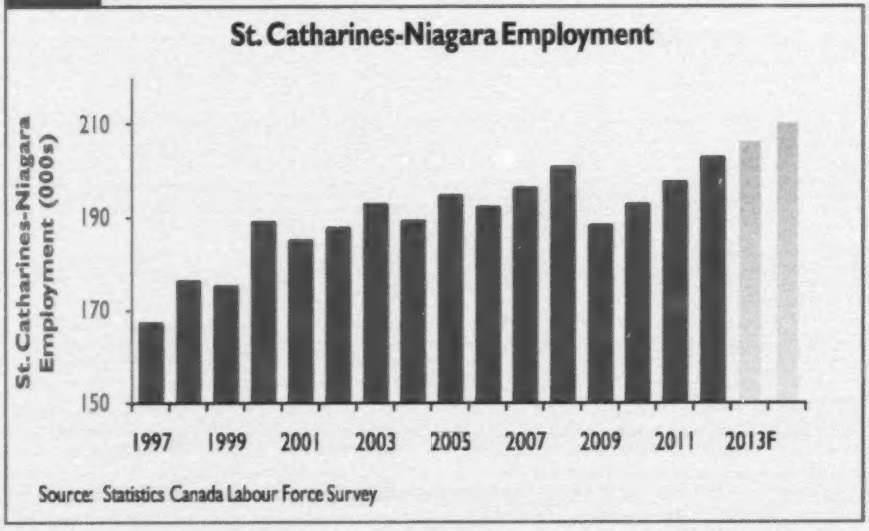



Source: CMHC. Starts are seasonally adjusted and are multiplied by 4 to show an annual rate.

The unemployment rate of 7.7 per cent in 2013 will decline slightly to 7.2 per cent in 2014. The decline in 2014 is attributed to gains in employment, driven by improving economic conditions, that will outweigh increases in the labour force.. However, a remaining challenge is that among youth aged 15-24 years, unemployment is 16 per cent and rising.

Average weekly earnings will be less volatile in 2013 and 2014 rising at a steady rate in 2013 and slightly faster in 2014. The key factors influencing better earnings include a return to stronger growth in the U.S. despite some continuing uncertainty in the North American economic environment. The region is experiencing employment growth which will be the basis for continued earnings growth in 2014.

Figure 5




Source: Statistics Canada Labour Force Survey

# Mortgage Rate Outlook

## Mortgage rates to see modest and gradual increases, but will remain low

In line with the consensus among private-sector forecasters, increases in the Target Overnight Rate by the Bank of Canada are not anticipated before mid-2014, later than anticipated at the time of the 2013 First Quarter Housing Market Outlook. This reflects the downward revisions in GDP forecasts since the publication of the First Quarter Housing Market Outlook, particularly the expectations of a slower economy in 2013. The expected delay in interest rate increases will continue to be supportive of housing market activity over the forecast horizon.

According to CMHC's base case scenario for 2013, the one-year mortgage rate is forecast to be within 3.00 per cent to 3.25 per cent with an average of 3.13 per cent, while the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent with an average of 5.28 per cent. For 2014, the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range with an average of 3.42, while the five-year posted mortgage rate is forecast to be within 5.25 per cent to 5.75 per cent with an average of 5.53 per cent, consistent with higher economic growth prospects in 2014.

| Forecast Summary<br>St. Catharines-Niagara CMA<br>Spring 2013 | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013f | % chg | 2014f | % chg |
| **New Home Market** | | | | | | | |
| **Starts:** | | | | | | | |
| Single-Detached | 714 | 655 | 678 | 700 | 3.2 | 690 | -1.4 |
| Multiples | 372 | 455 | 459 | 380 | -17.2 | 410 | 7.9 |
| Semi-Detached | 60 | 34 | 60 | 40 | -33.3 | 34 | -15.0 |
| Row/Townhouse | 271 | 247 | 215 | 200 | -7.0 | 210 | 5.0 |
| Apartments | 41 | 174 | 184 | 140 | -23.9 | 166 | 18.6 |
| Starts - Total | 1,086 | 1,110 | 1,137 | 1,080 | -5.0 | 1,100 | 1.9 |
| **Average Price ($):** | | | | | | | |
| Single-Detached | 378,640 | 387,693 | 435,429 | 439,800 | 1.0 | 444,200 | 1.0 |
| **Median Price ($):** | | | | | | | |
| Single-Detached | 339,900 | 349,900 | 387,990 | 391,600 | 0.9 | 395,400 | 1.0 |
| New Housing Price Index (% chg.) | 0.8 | -0.5 | 2.0 | 1.0 | - | 1.0 | - |
| **Resale Market** | | | | | | | |
| MLS® Sales | 6,024 | 5,798 | 5,554 | 5,200 | -6.4 | 5,420 | 4.2 |
| MLS® New Listings | 12,346 | 11,561 | 10,023 | 11,150 | 11.2 | 10,900 | -2.2 |
| MLS® Average Price ($) | 217,938 | 223,065 | 232,050 | 233,000 | 0.4 | 237,200 | 1.8 |
| **Rental Market** | | | | | | | |
| October Vacancy Rate (%) | 4.4 | 3.2 | 4.0 | 3.2 | -0.8 | 3.2 | 0.0 |
| Two-bedroom Average Rent (October) ($) | 817 | 833 | 862 | 872 | - | 890 | - |
| **Economic Overview** | | | | | | | |
| Mortgage Rate (1 year) (%) | 3.49 | 3.52 | 3.17 | 3.00 - 3.25 | - | 3.25 - 3.75 | - |
| Mortgage Rate (5 year) (%) | 5.61 | 5.37 | 5.27 | 5.00 - 5.50 | - | 5.25 - 5.75 | - |
| Annual Employment Level | 192,500 | 197,200 | 202,600 | 206,000 | 1.7 | 210,000 | 1.9 |
| Employment Growth (%) | 2.4 | 2.4 | 2.7 | 1.7 | - | 1.9 | - |
| Unemployment rate (%) | 9.4 | 8.2 | 7.8 | 7.7 | - | 7.2 | - |
| Net Migration | 1,601 | 1,284 | 1,307 | 1,300 | -0.5 | 1,310 | 0.8 |

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
**NOTE:** Rental universe = Privately initiated rental apartment structures of three units and over; MLS® data includes the St.Catharines, Niagara, and Welland boards

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